

Message Text

CONFIDENTIAL

PAGE 01 KHARTO 00479 091342Z

ACTION AF-08

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 EB-08 AID-05

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 OMB-01 /076 W

-----091347Z 109577 /53

R 091250Z FEB 77

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 3614

USDOC WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E T N T I A L KHARTOUM 0479

USDOC FOR MEPD

E.O. 11652: GDS

TAGS: BEGN, BENC, BEXP, EGEN, SU

SUBJECT: FINANCING AND MANAGEMENT DIFFICULTIES AT KENANA

SUMMARY: RESTRUCTURING OF KENANA SUGAR PROJECT IS UNDERWAY.
UNLESS MANAGEMENT CHANGED, KUWAITIS WILL NOT MAKE \$23 MILLION
PAYMENT THIS MONTH AND PROJECT MIGHT THEN HALT WITHIN 35-40
HIZTIXM AWARD OF \$45 MILLION CONTRACT FOR MECHANICAL
ERECTION OF REFINERY ALREADY DEFERRED. END SUMMARY.

1. PRINCIPAL PARTNERS IN \$500 MILLION PLUS KENANA SUGAR
PROJECT HAVE HELD STORMY MEETINGS IN KUWAIT AND KHARTOUM
CONCERNING FINANCIAL AND MANAGEMENT PROBLEMS. NUB APPEARS
TO BE BOTH NEED FOR ADDITIONAL \$200-250 MILLION AND LONRHO'S
MANAGEMENT FAILURES. RESTRUCTURING OF KENANA APPEARS BE
UNDERWAY WHICH COULD DAMAGE PRESIDENT NIMEIRI'S PRESTIGE.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 00479 091342Z

2. HOLDERS OF 90 PERCENT OF KENANA EQUITY (GOS--40 PERCENT,
SUDAN DEVELOPMENT CORPORATION--10 PERCENT, GOK--
22 PERCENT THROUGH KUWAIT FOREIGN TRADING, CONTRACTING
AND INVESTMENT COMPANY, AND ARAB INVESTMENT COMPANY--
18 PERCENT) MET IN KUWAIT FROM JAN 29-31. PRINCIPAL
DECISIONS TAKEN AT KUWAIT MEETING INCLUDED GOS AGREEMENT

TAKE LEAD IN OBTAINING \$150 MILLION PROJECT INFRASTRUCTURE LOAN WHICH WOULD SEPARATE INFRASTRUCTURE FINANCING FROM PROJECT, ROLLOVER OF SHAREHOLDER LOANS, AND ISSUANCE OF AIC LETTER OF GUARANTEE TO JAPANESE FOR GENERATORS. REFINANCING INFRASTRUCTURE OUTSIDE PROJECT WILL INCREASE KENANA'S COMMERCIAL VIABILITY. ROLLOVER OF SHAREHOLDER LOANS REDUCES CAPITAL REQUIREMENTS BY AT LEAST \$25 MILLION. ALSO, OTHER COST REDUCTIONS OF \$25 MILLION APPEAR POSSIBLE.

3. AIC AND KFTCIC HAVE TAKEN ADAMANT POSITION THAT LONRHO MUST BE REMOVED FROM PROJECT MANAGEMENT. AIC MANAGING DIRECTOR, IBRAHIM AL IBRAHIM, WANTED LONRHO'S IMMEDIATE DISMISSAL AND ALL WORK ON PROJECT HALTED WHILE CONTRACTS REVIEWED AND RENEGOTIATED. OTHER PARTNERS FINALLY CONVINCED IBRAHIM THIS NOT VIABLE APPROACH. ALEXANDER & BALDWIN (USA) WAS ASKED PREPARE TRANSITION PROGRAM FOR A&B MANAGEMENT TAKE-OVER.

4. BETWEEN JAN 31 AND FEB 5 KUWAITIS WERE PERSUADED NOT PRESS FOR IMMEDIATE OUTRIGHT EXPULSION LONRHO. GOS REP, MINSTATE FOR ECONOMY OSMAN HASHIM, HAD SAID DURING KUWAITI MEETINGS THAT HE WOULD HAVE TO REFER ISSUE OF LONRHO'S MANAGEMENT TO KHARTOUM. MEANWHILE, LONRHO CHIEF EXECUTIVE OFFICER TINY ROWLAND APPEARED IN KHARTOUM APPARENTLY TO MEET WITH NIMEIRI. DEPT MAY RECALL THAT ROWLAND EARNED NIMEIRI'S GRATITUDE AT TIME HIS SUCCESSFUL 1971 COUNTER-COUP. YET, POLITICAL QUESTIONS REMAIN BECAUSE PRESTIGE NIMEIRI'S GRATITUDE AT TIME HIS SUCCESSFUL 1971 COUNTER-COUP. YET, POLITICAL QUESTIONS REMAIN BECAUSE PRESTIGE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KHARTO 00479 091342Z

NIMEIRI'S ECONOMIC PROGRAM HAS BECOME LINKED WITH KENANA AS ONE OF REGIME'S MAJOR PROJECTS INVOLVING ARAB CAPITAL.

5. AS RESULT, KUWAITI TACTIC NOW APPEARS BE TO USE TERMS OF ORIGINAL KUWAIT PARTICIPATION AGREEMENT TO FORCE MANAGEMENT REFORMS. THEY WILL INSIST UPON VETO POWER OVER CHOICE OF CHAIRMAN AND MANAGING DIRECTOR AND APPEAR DETERMINED THESE WILL NOT BE FROM LONRHO. IN EFFECT, PARTIALLY AS FACE-SAVING GESTURE, THEY WILL PUSH FOR "SUDANIZATION". THIS MIGHT INVOLVE REPLACEMENT CURRENT INEFFECTIVE CHAIRMAN, MAJGEN IDRIS BY MININD BADR EL DIN SUILMAN (WHOSE DAYS IN CABINET APPEAR NUMBERED), WITH SUDANESE MANAGING DIRECTOR MOHAMED ABASHEER AL WAGIE, PRESENT CHAIRMAN SUGAR AND BEVERAGES CORPORATION. GROUP OF A&B EXPERTS WOULD BE ASSIGNED ADVISE CHAIRMAN AND MANAGING DIRECTOR ON PROJECT PLANNING (AND PROBABLY IMPLEMENTATION). UNLESS MANAGEMENT CHANGED, KUWAITIS SAY THEY WILL NOT DISPERSE \$23 MILLION TO KENANA THIS MONTH. THIS MEANS KENANA WILL EXHAUST ITS FINANCING WITHIN

35-40 DAYS AND PROBABLY GRIND TO HALT.

6. MEANWHILE, KENANA OWNERS AND BOARD WILL DEFER AWARD OF \$45 MILLION CONTRACT FOR MECHANICAL ERECTION OF REFINERY. WHILE THIS WILL BE BLOW TO TWO PRINCIPAL CONTENDERS, FOSTER-WHEELRT- (USA) AND ATLANTIC GULF (PHILIPPINES), OWNERS SAY THEY CANNOT AWARD FURTHER CONTRACTS WHILE MAJOR FINANCING QUESTIONS UNRESOLVED.

7. COMMENT: DIFFICULT IMAGINE HOW GOS WILL OBTAIN \$150 MILLION IN CREDITS FOR KENANA INFRASTRUCTURE. GIVEN BOP PROBLEMS, WE DOUBT GOS WOULD EVEN BE ABLE COVER KENANA INTERIM FINANCING IN EVENT KUWAITIS FAIL PROVIDE \$23 MILLION. FINANCING WOULD APPEAR REQUIRED FROM ARAB GOVERNMENTS, NOTABLY KUWAITIS AND SAUDIS. GOS MINFIN BEHEIRY AND GOVERNOR NIMIR OF BANK OF SUDAN ON CURRENT TRIP COULD BE PLEADING THIS CASE. STOPPAGE THIS MAJOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KHARTO 00479 091342Z

PROJECT PROBABLY WOULD HAVE SIGNIFICANT POLITICAL REPERCUSSIONS.
BREWER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, JOINT VENTURES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KHARTO00479
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770046-0407
Format: TEL
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770259/aaaacaex.tel
Line Count: 142
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 07e118c9-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3367776
Secure: OPEN
Status: NATIVE
Subject: FINANCING AND MANAGEMENT DIFFICULTIES AT KENANA SUMMARY: RESTRUCTURING OF KENANA SUGAR PROJECT IS UNDERWAY. UNLESS MANAGEMENT CHANGED, KUWAITIS WILL NOT MAKE
TAGS: BGEN, BENC, BEXP, EGEN, SU, KU, KENANA
To: STATE COM
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/07e118c9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009